Supreme Court, U. S.
FILED
MAR 23 1979
, JR., CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1978

No. 78-1072

FORD MOTOR CREDIT COMPANY,
Petitioner,

versus

CATHERINE EDMONDSON,
Respondent.

RESPONSE TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

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The Respondent, CATHERINE EDMONDSON, prays that this Court decline to issue a Writ of Certiorari to review the judgment and opinion of the United States Court of Appeals for the Fifth Circuit, reported at 577 F.2d 291.

STATEMENT OF FACTS

The Respondent desires to supplement and correct the Petitioner's Statement of Facts in three respects.

First, the description of security interest on the face of the disclosure statement at Paragraph 13 provides that the:

> "Seller shall have a security interest under the Uniform Commercial Code in the property (described above) and in the proceeds thereof . . ."

"Property" is defined on the disclosure statement as 1970 MG Midget Automobile. A-24.

Second, the amount of credit insurance premiums on the typical motor vehicle installment sales contract will usually exceed $1,000.00 as shown by Appendix 1a, credit life and disability insurance premiums on new cars usually exceed $300.00 over the anticipated duration of the contract, and single interest property insurance is about $1,000.00 for a three-year contract. Respondent's Appendix 3. New cars are now financed over four years, and the premium costs are accordingly higher. Thus, Respondent must take exception to the Petitioner's contention that the premiums have little economic value.

Third, the Petitioner's statement on page 5 of its Petition that the creditor cannot cancel property insurance and that the buyer's failure to make payments on the "loan" does not cancel the insurance coverage is not always correct. The property insurance policy that Petitioner had is not in the record. A typical single-

interest property insurance policy procured by Petitioner in Georgia in 1977, a copy of which is attached as Appendix 4a, provides, in Paragraph H, that the creditor can cancel the policy for any reason upon thirty days' written notice and that the policy is automatically terminated upon sale or repossession of the collateral. Paragraph 19 of the contract provides that the seller has a right to repossess the collateral "in the event Buyer defaults in any payment." A-25.

Respondent submits that the facts show that a single-interest property insurance policy clearly secures payment of the debt and is not economically insignificant.

REASONS FOR DENYING THE WRIT

The Petitioner earnestly requests that this Court grant the writ of certiorari to bring some order to the chaotic condition existing in the lower federal courts. The Respondent respectfully submits that no basis is shown under Rule 19 of this Court for granting the writ of certiorari sub judice.

First, there is no conflict among the Courts of Appeal on the issue before this Court. See *Gennuso v. Commercial Bank & Trust Co.*, 566 F.2d 437 (3rd Cir. 1977), upon which the Fifth Circuit relied.

Second, the Fifth Circuit's opinion is consistent with the position of the Federal Reserve Board staff. See

FRB Public Position Letter No. 377. No administrative regulation or interpretation has been declared unconstitutional in the case sub judice.

Third, the Fifth Circuit opinion is of little future importance since Ford Motor Credit Company changed its forms in Atlanta prior to July, 1978, and The Truth-In-Lending Act ("the Act") has a short one-year statute of limitations on money damage actions. 15 USC §1640(e). All prudent creditors, like Petitioner, changed their disclosure forms after the *Gennuso* decision of the Third Circuit.

Finally, there has been no conflict with past decisions of this Court.

For these reasons, there is no overriding reason why this Court should grant certiorari in the case sub judice. Moreover, the decision of the Fifth Circuit is also correct as a matter of law for the following reasons.

I.

The Decision Below Correctly Construes The Truth-In-Lending Act.

A. The Act Is To Be Liberally Construed In Favor Of The Consumer.

When, in 1968, the Congress enacted The Truth-In-Lending Act, its stated purpose was "to assure a

meaningful disclosure of credit terms available to him and avoid the uninformed use of credit". 15 USC §1601; *Mason v. General Finance Corp. of Virginia*, 542 F.2d 1226 (4th Cir. 1976). And, in doing so, it acted in response to the revelation that consumers remained remarkably ignorant of the nature of their credit obligations and of the costs of deferring payment. *Id*, citing *Mourning v. Family Publications Service, Inc.*, 411 U.S. 356, 363 (1973).

The Act is remedial in nature and, as such, its terms are to be liberally construed in favor of the consumer. *Sellers v. Wollman*, 510 F.2d 119, 122 (5th Cir. 1975). Cf. *Mourning v. Family Publications Service, Inc., supra.*

In addition to the finance charge and annual percentage rate, Congress also required the creditor to disclose any security interest held or to be retained by the creditor incident to the extension of credit. 15 USC §1639(a)(8). Federal courts have applied this provision of the Act and its counterparts on open-end credit sales and loans to require a clear identification of the property to which the security interest relates. See, e.g. *Pennino v. Morris Kirschman & Co., Inc.*, 526 F.2d 367, 371 (5th Cir. 1976); *Charnita, Inc. v. F.T.C.*, 479 F.2d 684 (3rd Cir. 1973). The underlying premise of all these cases is that disclosure of all security interest is important so the consumer may compare the various credit terms available to him or her. *Willis v. American National Stores*, 350 F. Supp. 173 (N.D. Ga. 1972).

B. *An Assignment Of Unearned Insurance Premiums Is A Security Interest Under the Act.*

The assignment of unearned insurance premiums is clearly an interest in property which secures payment of the underlying debt. *Gennuso v. Commercial Bank & Trust Co.*, 566 F.2d 437 (3rd Cir. 1977). Such a contractual right is deemed a consensual lien under Regulation Z §226.2(gg), 12 C.F.R. §226.2(gg). It can be analogized to an assignment of rents for a real estate mortgage, which is not activated until certain specified events occur.

The Federal Reserve Board staff has held that a creditor's ownership of an insurance policy during the term of a loan was a "security interest" to be disclosed under the Act. FRB Staff Letter No. 377 (1970). In that letter, the proceeds of the policy were not payable to the lender, but in the event of a loan default, the lender would have the right to cancel the policy and apply any premium refund to the unpaid balance of the loan. *Id.*

In the case sub judice, the Petitioner had the contractual right to receive any propert, insurance proceeds plus unearned property insurance premiums, more rights than the creditor had in the FRB letter. The contentions of the Petitioner and amicus curiae that the decision below is contrary to the interpretation of the Federal Reserve Board do not stand up under analysis. Furthermore, as illustrated by the sample property insurance policy used by Petitioner in Georgia in 1977 and 1978, Petitioner had the right to obtain the unearned property insurance premiums at its sole discretion upon default or cancellation by it. Appendix 4a.

The Act reflects a transition in congressional policy from a philosophy of let-the-buyer-beware to one of let-the-seller-disclose. *Mourning v. Family Publications Services, Inc., supra*, at 377. As the special master and Fifth Circuit stated, "If the security interest was important enough for defendant to acquire it, it was important enough to disclose". A-23, 7.

II.

The Decision Below Did Not Create Any New Test For Construction Of The Act.

In their construction of the Act, the federal district court in Atlanta and Court of Appeals for the Fifth Circuit applied basic statutory construction — is an assignment of unearned insurance premiums any interest in property which secures payment or performance of an obligation. There was no Georgia precedent on what type of property interest an assignment of premiums was. The federal courts then had to apply federal common law consistent with construction of the Act by other federal courts and the Federal Reserve Board to find whether a violation of the Act exists. While other federal district courts may differ with the Court of Appeals for the Third and Fifth Circuits, the

divergence in opinion does not mean the Courts of Appeal are articulating a new standard that is unconstitutionally vague.

The Respondent submits that the Court below acted properly in determining whether the subject assignment was a paper right of no value whatsoever or a valuable privilege conveyed by the debtor to his creditor.

III.

The Decision Below Adheres To The Purpose Of The Act And Will Have No Substantial Impact On Consumer Credit Transactions.

A review of the briefs filed in the case sub judice would lead one to believe that the decision below was the most significant opinion under the Act since *Mourning v. Family Publications Services, Inc., supra.* As stated before, the Petitioner changed its federal disclosure statements prior to the decision by the Court of Appeals for the Fifth Circuit. The Fifth Circuit relied in part on a 1977 decision by the Third Circuit in *Gennuso v. Commercial Bank & Trust Co., supra.* All prudent creditors should have changed their disclosure forms by now and any decision by this Court will only affect the parties before it.

Furthermore, the decision below advances the purposes of the Act by requiring disclosure of all claimed

interests in property. The Petitioner argues at page 20 of its Petition that "Lenders will, of course, disclose every economic right to avoid claims". Congress intended such a result commencing July 1, 1969, not July 28, 1979 (the date of the decision below), and on the front side of a disclosure statement, not hidden in small print on the reverse side of the disclosure statement.

CONCLUSION

For all of the reasons heretofore stated, the Respondent urges this Court to deny a writ of certiorari in this case as the Court of Appeals has correctly construed The Truth-In-Lending Act.

Respectfully submitted,

Jay E. Loeb
Gershon, Ruden, Pindar
and Olim
730 Healey Building
P.O. Box 2872
Atlanta, Georgia 30301
(404) 524-4991

Attorney for Respondent

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have served three copies of the foregoing Response to Petition for Writ of Certiorari on counsel for Petitioner, Morton P. Levine, 2415 The Equitable Building, 100 Peachtree Street, Atlanta, Georgia 30303, by placing same in the United States mail in a properly addressed envelope with adequate postage thereon.

This ____ day of March, 1979.

JAY E. LOEB

ACCOUNT NO. _____

GEORGIA AUTOMOBILE RETAIL INSTALLMENT CONTRACT

DATE 6/24/78

Buyer (and Co-Buyer) - Name and Address (Include - County and Zip Code)

GARY W. REECE BETTY ANNE REECE
2507 FORREST AVE. N.W.
ATLANTA GA. 30318 FULTON

CREDITOR
Seller - Name and Address ALLEN-RUSSELL FORD, INC.
5920 ROSWELL RD. N.W.
ATLANTA, GEORGIA 30328

Assignee of Contract (See Assignment below):
Ford Motor Credit Company, The American Road, Dearborn, Michigan 48121

Buyer (which means the undersigned Buyers and Co-Buyers, jointly and severally) having been quoted both a deferred payment price and a lesser cash price hereby purchases from Seller on a deferred payment price basis, upon the terms and conditions set forth on the face and reverse sides hereof, the following property (hereinafter called the "Property") delivery and acceptance of which in good order hereby are acknowledged by Buyer.

New or Used	Year and Make	Series	Body Style	No. Cyl.	GVW	Manufacturer's Serial Number	Use For Which Purchased
NEW	1978 FORD	T-BIRD	2DR	8		8G87F296068	☐ Personal ☐ Business ☐ Agriculture ☐ _____

INCLUDING: ☐ Radio ☐ Air Conditioner ☐ Automatic Transmission ☐ Power Steering ☐ Power Brakes ☐ Power Seats ☐ Power Windows ☐ _____

DESCRIPTION OF TRADE IN

1967 CHEV. (Year and Make) $ 1074.00 (Gross Allowance)

138177A129699 (Serial Number) $ n.a. (Amount Owing)

OPTIONAL INSURANCE

Buyer authorizes Seller to obtain the following insurance coverages:

(a) Physical Damage Insurance: Coverages checked below for a term of _____ months (or for such shorter term as the insurer to whom Seller shall apply therefor will provide for the amount included herein) from the date hereof, payable to Buyer or Seller as interests may appear:

☐ Comprehensive ☐ Fire-Theft & Combined Additional Coverage
☐ $_____ Deductible Collision ☐ Towing & Labor Costs ($25.00 Limit)
$ n.a. (a)

(b) Credit Life Insurance on the life of GARY W. REECE (Insured Person) for the term of this Contract.

☐ Provided under Ford Life Insurance Company's Group Policy No. 2200 in accordance with the "Credit Life Insurance Eligibility" section below.

☐ Provided by FORD LIFE INS. CO. in accordance with the separate Application, Notice, Certificate or Policy delivered to Buyer this date.

$ 258.58 (b)

(c) Credit Accident and Health or Disability Insurance provided by FORD LIFE INS. CO. for the term of this Contract in accordance with the separate Application, Notice, Certificate or Policy delivered to Buyer this date..... $ 517.16 (c)

(d) Other Optional Insurance _____ (Itemize) $ n.a. (d)

Total Cost of Optional Insurance..... $ 775.74

NOTICE TO BUYER: (1) You are not required to obtain the Credit Life and/or Credit Accident and Health or Disability Insurance for which a charge is indicated above and such is not a factor in the Seller's approval of this credit. (2) You have the right to choose the person through whom the Physical Damage Insurance required under this contract is to be obtained. ACKNOWLEDGING the foregoing, BUYER requests and authorizes SELLER to obtain each insurance coverage for which an amount is included above.

Buyer Gary W Reece Date 6/24/78
(Cost of Insurance to be included only if signed by Buyer and dated)

LIABILITY INSURANCE COVERAGE FOR BODILY INJURY AND PROPERTY DAMAGE CAUSED TO OTHERS IS NOT INCLUDED.

CREDIT LIFE INSURANCE ELIGIBILITY

Credit life insurance under Ford Life Insurance Company's Group Policy No. 2200 is available only on the life of one natural person who is obligated to make payments under this retail instalment instrument and who is under the age of 66 on the date hereof. Benefits will be limited to a refund of premiums if there is no person eligible for such insurance, or if death results from suicide within one year from the date hereof or from certain pre-existing diseases or conditions within ninety days from the date hereof. For details see Notice of Proposed Group Credit Life Insurance on reverse side of Buyer's Copy.

ASSIGNMENT: The foregoing contract hereby is accepted by the Seller and assigned to Ford Motor Credit Company in accordance with the terms of the Assignment set forth on the reverse side hereof. Upon its acceptance of such contract, Ford Motor Credit Company will become a "Creditor" for purposes of the Truth-in-Lending Act.

Seller ALLEN-RUSSELL FORD, INC.

By _____ Title _____

DETAILS OF TRANSACTION

(1) **Cash Price** LIST PRICE 94.90 TAX $ 6886.82 (1)
Cash Down Payment $ 300.00
Trade Investment (Net Trade-In) $ 1074.00
(2) **Total Down Payment** $ 1374.00 (2)
(3) **Unpaid Balance of Cash Price** (Difference between Items 1 & 2) $ 5512.82 (3)
(4) **Other Charges**
Optional Insurance (See Opposite) $ 775.74
Official Fees XXXXXX DOC SERVICE $ 37.50
Taxes (Not included in Cash Price) $ n.a.
License, Title & Registration Fees $ 1.00
(License $ n.a. Title $ 1.00
Registration $ n.a.)
EXT. SVC. CONTRACT $ 200.00
STATE INSPECTION $ 3.00
Total Other Charges $ 1017.24 (4)
(5) **Unpaid Balance - Amount Financed** $ 6530.06 (5)
(6) **FINANCE CHARGE** $ 2089.30 (6)
Base Finance Charge $ 2089.30
$ n.a.
(7) **ANNUAL PERCENTAGE RATE** 14.31 (7)
(8) **Total of Payments** (Sum of Items 5 & 6) $ 8619.36 (8)

(9) **Payment Schedule:** Buyer hereby agrees to pay to Seller the Total of Payments (Item 8 above) in 48 monthly instalments of $ 179.57 each and one final instalment of $ n.a. on the like day of each month commencing 7/24/78, or, if no date is specified, one month after the date of this contract.

(10) **Balloon Payment(s)** $ n.a. on n.a. $ n.a. on n.a.
(Insert amount of each payment that is more than twice the amount of any otherwise regularly scheduled equal payment)
A balloon payment may be refinanced only upon such terms and conditions as the then parties to this contract may agree as of its due date.

(11) **Deferred Payment Price** (Sum of Item 1, 4 & 6) $ 9993.36 (11)

(12) **Delinquency Charges:** Buyer hereby agrees to pay a delinquency charge on each instalment in default for more than 10 days in the amount of 5% thereof or $5.00, whichever is less, plus such expenses incurred by Seller in effecting collection hereunder as may be allowed by law.

(13) **Security Interest:** Seller shall have a security interest under the Uniform Commercial Code in the Property (described above) and in the proceeds thereof (including any monies payable under insurance policies covering the Property and unearned insurance premiums) to secure the payment in cash of the Total of Payments and all other amounts due or to become due hereunder.

(14) **Prepayment Rebate:** Buyer may prepay his obligations under this contract in full at any time prior to maturity of the final instalment hereunder, and, if he does so, shall receive a rebate of the unearned portion of the Finance Charge computed under the sum of the digits method after first deducting an acquisition fee of $25.00. No rebate will be made if the amount hereof is less than $1.00.

(15) **Additional Terms and Conditions:** The additional terms and conditions set forth on the reverse side hereof are a part of this contract and are incorporated herein by reference.

NOTICE TO THE BUYER:

Do not sign this contract before you read it or if it contains any blank spaces. You are entitled to an exact copy of the contract you sign. Buyer acknowledges receipt of a true and completely filled in copy of this contract at the time of signing.

Buyer Signs _____
Co-Buyer Signs Betty Anne Reece

NOTICE

ANY HOLDER OF THIS CONSUMER CREDIT CONTRACT IS SUBJECT TO ALL CLAIMS AND DEFENSES WHICH THE DEBTOR COULD ASSERT AGAINST THE SELLER OF GOODS OR SERVICES OBTAINED PURSUANT HERETO OR WITH THE PROCEEDS HEREOF. RECOVERY HEREUNDER BY THE DEBTOR SHALL NOT EXCEED AMOUNTS PAID BY THE DEBTOR HEREUNDER.

1a

BUYER'S COPY

ADDITIONAL TERMS AND CONDITIONS

16. ASSIGNMENT

The original Seller may assign this contract and his assignee shall acquire all of his interest in this contract and the Property and shall be entitled to all the rights and privileges of Seller hereunder. After Buyer receives notice of any such assignment, Buyer shall make all payments hereunder directly to the holder hereof and the original Seller shall not be the agent of the holder for transmission of payments or otherwise. Buyer shall not transfer or otherwise dispose of any interest in this contract or the Property.

17. USE OF PROPERTY—WARRANTIES

Buyer shall keep the Property free from all encumbrances, and any amount that may be paid by Seller in release or discharge thereof shall be paid by Buyer to Seller forthwith upon demand with interest at the highest lawful contract rate. Buyer shall not use the Property illegally, improperly or for hire (unless stated herein) and shall not remove the Property from the county of his residence without the written permission of Seller. **No representation, promise or warranty, express or implied, has been made with respect to the merchantability, suitability or fitness for purpose of the Property or otherwise unless the same is endorsed hereon in writing or is contained in a separate written instrument signed by the original Seller.**

18. RISK OF LOSS—INSURANCE

The Property shall be at Buyer's risk. Buyer shall obtain and maintain at his own expense for so long as any amount remains unpaid hereunder insurance protecting the interests of Buyer and Seller against loss, damage or destruction of or to the Property in such forms and amounts as Seller may require. The inclusion of a charge for insurance herein shall not relieve Buyer of such obligation but only authorizes Seller to attempt to obtain the requested coverages on Buyer's behalf through an authorized agent; provided, if Seller is unable to obtain the requested coverages for the term indicated for the amount included herein, Seller may (i) obtain such coverages for such term, if any, as the insurance carrier to whom Seller shall apply therefor will provide for such amount, or (ii) credit such amount to the final maturing instalments hereunder in inverse order of maturity or as otherwise required by law.

If Buyer fails to obtain or maintain such insurance, or fails to furnish satisfactory evidence thereof upon request, Seller may, but shall not be required to, and without prejudice to his rights hereunder if he does not, obtain such insurance protecting either the interests of Buyer and Seller or the interest of Seller only. In such event, Buyer agrees to reimburse Seller for the cost thereof forthwith upon demand together with interest thereon at the highest lawful contract rate.

Buyer hereby assigns to Seller any monies payable under such insurance by whomever obtained, including returned or unearned premiums, and Seller hereby is authorized on behalf of both Buyer and Seller to receive or collect same, to endorse checks or drafts in payment thereof, to cancel such insurance or to release or settle any claim with respect thereto. The proceeds from such insurance, by whomever obtained, shall be applied toward replacement of the Property or payment of the indebtedness hereunder in the sole discretion of Seller.

19. DEFAULT

Time is of the essence of this contract. In the event Buyer defaults in any payment, or fails to obtain or maintain the insurance required hereunder, or fails to comply with any other provision hereof, or a proceeding in bankruptcy, receivership or insolvency shall be instituted by or against Buyer or his property, or Seller deems the Property in danger of misuse or confiscation, or Seller otherwise reasonably deems the indebtedness or the Property insecure, Seller shall have the right to declare all amounts due or to become due hereunder (exclusive of unearned finance charges) to be immediately due and payable and Seller shall have all the rights and remedies of a Secured Party under the Uniform Commercial Code, including the right to repossess the Property wherever the same may be found with free right of entry, and to recondition and sell the same at public or private sale. Upon request, Buyer shall deliver the property to Seller at a place designated by Seller. Seller shall have the right to retain all payments made prior to repossession and Buyer shall remain liable for any deficiency to the extent permitted by law. Any personalty in or attached to the Property when repossessed may be held by Seller without liability and Buyer shall be deemed to have waived any claim thereto unless written demand by certified mail is made upon Seller within 24 hours after repossession. Buyer agrees to pay reasonable attorneys' fees (15% if permitted by law) and other expenses incurred by Seller in effecting collection, repossession or resale hereunder. Seller's remedies hereunder are in addition to any given by law and may be enforced successively or concurrently. Waiver by Seller of any default shall not be deemed a waiver of any other default.

20. GENERAL

No transfer, renewal, extension or assignment of this contract or any interest hereunder, and no loss, damage or destruction of or to the Property, shall release Buyer from his obligations hereunder. This contract constitutes the entire agreement between the parties and no modification hereof shall be valid in any event, and Buyer expressly waives the right to rely thereon, unless made in writing signed by Seller. Any provision of this contract prohibited by applicable law shall be ineffective to the extent of such prohibition without invalidating any other provision of this contract. This contract shall be governed by the laws of the state in which the original Seller is located as shown on the face of this contract.

GUARANTY

For Value Received, each of the undersigned guarantors, jointly and severally, guaranties the prompt and unconditional payment, performance and discharge of all Buyer's obligations under the within contract and covenants that in the event of default in any of said obligations thereunder, to pay upon demand the full amount remaining unpaid thereunder together with a reasonable attorney's fee (15% of the amount then due, or if prohibited, the amount permitted by law) if placed with an attorney for collection. The liability of undersigned shall not be affected by any extension, renewal or other change in the time of payment of said contract, or any change in the manner, place or terms of payment thereof, or the release, settlement or compromise of or with any party liable for the payment thereof, or the release or non-perfection of any security thereunder. The holder of the within contract shall not be bound to exhaust its recourse against Buyer or any other person or any security the holder may at any time have before being entitled to payment from the undersigned hereunder. Each of the undersigned guarantors hereby waives notice of the acceptance of this guaranty, and of presentment, demand and protest and notices of non-payment and dishonor, and any other demands and notices required by law.

Guarantor _____ Address _____

Guarantor _____ Address _____

FORD LIFE INSURANCE COMPANY
NOTICE OF PROPOSED GROUP CREDIT LIFE INSURANCE

Notice hereby is given that if a charge for group credit life insurance to be provided by Ford Life Insurance Company, Dearborn, Michigan, under its Group Policy No. 2200 is separately stated as a part of the balance payable under the annexed retail instalment instrument, and if such instrument is assigned or otherwise transferred to Ford Motor Credit Company, the group policyholder, and if the person to be insured is eligible for such insurance as hereinafter provided, life insurance protection under the said Group Policy will be provided upon the life of such person with respect to such instrument. Any natural person is eligible for such insurance if he is primarily or secondarily obligated to make the payments provided in such instrument and has not attained his 66th birthday on or before the effective date of such instrument. The Insured Person will be the person named as such in such instrument if such person is eligible for insurance hereunder. In the event no person is named as the Insured Person, or if the person so named is not eligible for such insurance, then the Insured Person will be: (a) If the Buyer named in such instrument is one or more natural persons, that natural person whose signature as "Buyer" appears first; (b) If the Buyer named therein is a partnership, that natural person, being a partner, whose signature on behalf of the partnership appears first; or (c) If any Buyer named therein is a corporation, that natural person who is personally obligated on the instrument and whose signature as "Buyer" or "Co-Buyer" appears first; provided that in the event there is no natural person obligated under such instrument under the age of 66 as of the effective date thereof, all provisions with respect to such credit life insurance will be void and of no effect. Such insurance will become effective from the date the obligation of the Buyer named in such instrument is incurred and will, in the absence of default in any payment coming due thereunder, remain in force, subject to the terms of the Group Policy, until discharge of all obligations thereunder. Any amount becoming payable at the death of the Insured Person will be applied to reduce or extinguish Buyer's obligation thereunder. The amount of insurance will be the amount owing from time to time under such instrument but not to exceed $10,000 less the amount of existing insurance on the date of such instrument with respect to any other obligation for which the Buyer is insured under the said Group Policy; provided that the amount payable under the said Group Policy will be limited to a credit or refund of the amount included as the premium or cost of such insurance in such instrument in the event that death of the Insured Person results from (a) suicide, while sane or insane, within one year from the effective date of the insurance, or (b) a disease, injury or health condition for which the Insured Person was hospitalized or received medical treatment within the thirty days immediately preceding the effective date of the insurance, if death occurs within the ninety days immediately following such date. If the insurance becomes effective, a certificate of insurance describing the coverage afforded in greater detail will be furnished to the Buyer within thirty days. If the insurance is declined by the insurer or otherwise does not become effective or if a charge for an amount of insurance in excess of the foregoing limit is made, notice thereof will be sent to the Buyer and the appropriate portion of the charge for such insurance together with the finance charge applicable thereto promptly will be credited or refunded to the Buyer. In the event such insurance terminates during the lifetime of the Insured Person, the portion of the insurance charge applicable to the period subsequent to the date of termination will be refunded or credited to the Buyer. No refund or credit of insurance charge will be made if the amount thereof is less than $1.00. The insurance charge refund formula is on file with the state official having supervision of the proposed insurance and a copy thereof is on file with the group policy holder.

FL 13025

THE ABOVE NOTICE APPLIES ONLY IF A CHARGE FOR CREDIT LIFE INSURANCE UNDER FORD LIFE INSURANCE COMPANY'S GROUP POLICY NO. 2200 HAS BEEN STATED IN THE ANNEXED INSTRUMENT. IF A CHARGE FOR OTHER CREDIT LIFE INSURANCE OR OTHER INSURANCE HAS BEEN INCLUDED THEREIN, BUYER WILL BE FURNISHED WITH SUCH APPLICATION, NOTICE, CERTIFICATE OR POLICY WITH RESPECT THERETO AS IS REQUIRED BY LAW.

AGENCY										DEALER
MAJOR				SUB						
0	1	0	1	1	1	0	0	2	3	0

FMC ACCOUNT NUMBER 4047

American Security Insurance Company
ATLANTA, GEORGIA 30302

LPD 14 23

CERTIFICATE OF LIMITED PHYSICAL DAMAGE AUTOMOBILE INSURANCE

DECLARATIONS

BORROWER - NAME AND ADDRESS

Cynthia L Sallett
2905 Springdale Rd S # 2
Atlanta, Ga 30315

CREDITOR - NAME AND ADDRESS

FORD MOTOR CREDIT COMPANY
P.O. BOX 3250
ATLANTA, GEORGIA 30302

Tel. No. 404 / 938-1010

COVERAGE PERIOD		DATE OF NOTICE		DATE PLACED	
FROM	TO	TERM OF INS. COVERAGE	CONTRACT BALANCE		PREMIUM
11-28-77	10-28-80	35 TERM IN MONTHS	$ 5300.40		$ 1002.00

DESCRIPTION OF COLLATERAL		
YEAR	MAKE	IDENTIFICATION NUMBER
77	Mustg	4993

PERILS COVERED	DEDUCTIBLE: (SEE PART C OF REVERSE)
COMPREHENSIVE COLLISION	$100 + 20% OF THE AMOUNT OT LOSS. MAXIMUM DEDUCTIBLE FOR ANY ONE LOSS: $250.

NOTICE TO BORROWER This is limited coverage. Please read below & reverse.

This is to advise you that this LIMITED PHYSICAL DAMAGE certificate of insurance has been placed in accordance with the requirements of your Retail Instalment Contract with the above Creditor and is issued in accordance with the terms set forth in this certificate. This action was necessary because you did not respond to an earlier notice requesting verification as to your insurance coverage. The premium for this coverage indicated above, plus applicable finance charges, has been added to your account and your monthly payments changed accordingly. A new coupon book will be mailed to you.

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THIS INSURANCE WILL NEVER PROVIDE AN AMOUNT OF COVERAGE GREATER THAN THE NET AMOUNT YOU OWE ON THIS COLLATERAL. It provides limited physical damage protection only and the Company's liability will not exceed the net unpaid balance owed to the Creditor at the time of loss settlement, and is subject to a deductible. You may cancel this certificate as provided in the cancellation provisions within. If you have other insurance, please request your agent or insurance company to notify Ford Motor Credit Company at the above address.

THE COMPANY HEREBY WAIVES AND RELINQUISHES ANY RIGHT OF SUBROGATION AGAINST THE BORROWER AS TO ANY CLAIM PAID UNDER THIS INSURANCE COVERAGE.

THIS CERTIFICATE DOES NOT PROVIDE BODILY INJURY AND PROPERTY DAMAGE LIABILITY INSURANCE AND DOES NOT COMPLY WITH ANY FINANCIAL RESPONSIBILITY LAW OR ANY STATUTORY REQUIREMENT FOR NO-FAULT COVERAGES.

E. A. Tatar Secretary

J R Rees President

Tony W Cook
AUTHORIZED SIGNATURE

MASTER POLICY-FMC
FORM CLPD-FMC

BORROWER'S CERTIFICATE

CERTIFICATE OF INSURANCE

Insuring Agreement

In consideration of the payment of the premium the Company agrees to provide limited insurance protection to the Borrower, as well as to the insured Creditor, as to the single article of collateral described herein against loss or damage having a Date of Loss within the period of coverage of this Certificate as a result of the perils stated below.

The Borrower's participation in this insurance coverage is specifically limited to the COMPANY'S SETTLEMENT OPTIONS APPLICABLE TO BORROWER and to the applicable DEDUCTIBLES as well as the other terms and conditions of this Certificate.

A. Coverage: This insurance covers direct and accidental loss of or damage to the insured collateral occurring prior to repossession or abandonment from the following perils:

1. COMPREHENSIVE PERILS - Any physical damage or loss caused by a peril other than collision or upset.
2. COLLISION OR UPSET - Any physical damage or loss caused by collison with a vehicle or object, or by upset.

B. Company's Settlement Options Applicable to Borrower: This is limited physical damage coverage and the Company's liability to the Borrower shall not exceed the least of the following:

1. The cost of repair or replacement of the collateral at the Company's option less the amount of the Borower's applicable deductibles as stated below; or
2. The unpaid balance owed to the Creditor by the Borrower under the covered loan at the time of loss settlement (including up to but not more than two past due monthly installments) less unearned finance charges, unearned insurance premiums, late charges, and less the amount of the Borrower's applicable deductibles as stated below. Unearned finance charges shall be computed in accordance with the Rule of 78ths; or
3. The actual cash value of the collateral immediately prior to the peril occurrence, less the amount of the Borrower's applicable deductibles as stated below. Where the collateral is a motor vehicle, actual cash value shall be based upon average retail value according to an accepted standard price publication then in effect.

The Company at its option may pay for the loss in money or may repair or replace the collateral or the damaged part thereof with like kind and quality, or may return any stolen property with payment for any resultant damage thereto at any time before the loss is paid or the property is so replaced, or may take all or such part of the collateral at the agreed or appraised value, but there shall be no abandonment to the Company.

The Company may settle any claim for loss with either the Creditor or the Borrower, as their interests may appear, provided nevertheless that upon demand by the Creditor upon the Company the amount of said loss shall be paid directly to the Creditor.

C. Deductibles: In the event of loss or damage to the collateral caused by a single peril and qualifying under the coverages and terms hereof, it is understood and agreed that from the amount of any loss benefit payable by the Company, the Borrower shall first pay a Basic Deductible of: One Hundred ($100.00) Dollars plus Twenty (20%) percent of such loss up to a maximum deductible of Two Hundred Fifty ($250.00) Dollars.

Where a claim settlement involves loss of or damage to the collateral caused by more than one peril and qualifying under the coverages and terms hereof, there shall be applied to the largest loss a deductible equal to the Basic Deductible and for each additional loss there shall be applied a deductible of One Hundred ($100.00) Dollars.

D. Conditions Precedent to Liability: The conditions precedent to the attaching of the Company's liability to the Borrower for any loss or damage under this Certificate are:

1. That the Creditor has neither repossessed the collateral nor declared the eligible loan in default; and
2. That the Borrower has not abandoned the collateral to the Creditor; and
3. That the Borrower has accepted responsibility for the amount of his participating deductible as set forth within this Certificate, and paid such amount either toward the repair or replacement of the collateral or toward the Borrower's unpaid balance owed to the Creditor, depending upon the applicable settlement option; and
4. That in the event loss of or damage to the collateral is claimed to have been caused by theft of the entire collateral or its major parts or components such loss shall be evidenced and supported by a timely report by the Borrower to the law enforcement agency having jurisdiction.

E. Borrower's Duty in Event of Loss: In the event of a peril occurrence affecting the collateral insured hereunder, the Borrower shall:

1. Promptly give notice of such occurrence to the Creditor. The Borrower shall protect the collateral whether or not the loss is covered by this Certificate, and further loss due to failure to protect shall not be recoverable hereunder.
2. In the event of theft, promptly give notice to the law enforcement agency having jurisdiction.
3. The Borrower shall file with the Company within a reasonable time after the peril occurrence a statement of loss in such form including such information as the Company may reasonably require and shall, upon the Company's request, exhibit the damaged collateral.
4. The Borrower shall cooperate with the Company and, upon the Company's request, assist in the conduct of legal proceedings and in enforcing any right against any party who may be liable with respect to the loss of or damage to the collateral.

F. Date of Loss: The date of loss for purposes of determining whether loss is within the period of coverage of this Certificate shall be the date of the peril occurrence relating to such loss.

Form CLPD-FMC

G. Subrogation: In the event of any payment under this Certificate, the Company shall be subrogated to all of the Borrower's rights of recovery against any person or party and the Borrower shall execute and deliver instruments and papers and do whatever else is reasonably necessary to secure such rights. The Borrower shall do nothing after loss to prejudice such rights. However, the Company specifically waives all rights of subrogation against the Borrower.

H. Cancellation - Refund of Premium: This Certificate may be cancelled by:

1. The insured Creditor by mailing to the Company and the Borrower written notices stating when not less than thirty (30) days thereafter such cancellation shall be effective; or
2. The Company by mailing to the insured Creditor and the Borrower written notices stating when not less than thirty (30) days thereafter such cancellation shall be effective; or
3. The Borrower by first obtaining the written consent of the insured Creditor and mailing to the Company written notice stating when thereafter such cancellation shall be effective, subject to terms and conditions of Article I below entitled "Other Insurance".

In the event of cancellation during the Certificate term, unearned premium shall be computed in accordance with the Special Cancellation Table made part of the Master Policy.

Special Condition: The payment in full of the obligation assumed under the Eligible Loan, or the sale, trade, transfer, abandonment or repossession of the collateral shall immediately and automatically terminate all coverage under this Certificate, without notice, and any unearned premium shall be computed as stated above.

I. Other Insurance: This Certificate has been issued in the absence of evidence that the Borrower has otherwise complied with the Creditor's requirement to maintain insurance on the collateral described herein. If the Borrower does have or obtains any insurance which complies with the Creditor's requirements, he shall immediately notify the Creditor or the Company and request that this Certificate be terminated. In any event, coverage under this Certificate shall be deemed to have terminated on the effective date of any such acceptable other insurance, and unearned premium shall be computed accordingly.

J. Limitation on Transfer or Extension of Coverage: The coverage provided under the terms and conditions of this Certificate is not transferable to any other collateral and the Certificate may not be renewed or extended beyond either the term of the eligible loan or that of the Security Agreement except at the request of the insured Creditor, and in no event beyond the time when the insured Creditor ceases to have an insurable interest in the collateral insured hereunder.

K. Territory: This Certificate applies only to direct and accidental loss of or damage to collateral sustained during the Certificate period, while the collateral is within the United States of America, its territories or possessions, Canada, or is being transported between ports thereof.

The coverage is extended to apply while an insured vehicle is being used in the Republic of Mexico provided the principal place of residence of the Borrower is within the United States and the insured vehicle is principally garaged and used within the United States. It is understood and agreed that in the event of loss of or damage to the insured vehicle while in Mexican territory, the adjustment of claim for such loss or damage shall be at the nearest point in the United States where such adjustment can be made; and it is further expressly understood and agreed that the cost for towing, transportation or salvage of the insured collateral while within the Mexican territory shall not be recoverable hereunder and is not a contingency insured against.

L. Exclusions: This Certificate does not apply under any of the Coverages to the following:

1. Property of any kind, equipment, parts or accessories other than standard factory equipment with which the covered collateral was originally equipped by the manufacturer unless included within the original purchase price from the manufacturer's dealer;
2. Any special paint except that which may have been included within the original purchase price from the manufacturer's dealer;
3. Any loss due to war, whether or not declared, civil war, insurrection, rebellion or revolution or to any act or condition incident to any of the foregoing;
4. Any damage to the collateral due to wear and tear, freezing, mechanical or electrical breakdown or failure;
5. Any loss due to conversion, embezzlement, or secretion by any person in lawful possession of the collateral under lease agreement, conditional sales contract, mortgage or other encumbrance;
6. Any loss due to radioactive contamination;
7. Any loss due to confiscation by duly constituted governmental or civil authority;
8. Any vehicle or other article of collateral used in any illicit trade or transportation at any time; or
9. Any loss or damage to a vehicle or other article of collateral while used in a race. speed contest or exhibition.

M. Payment for Loss - Action Against Company: Payment for loss may not be required nor shall action lie against the Company until, as a condition precedent thereto, the Borrower shall have fully complied with all the terms of this Certificate, nor until thirty (30) days after proof of loss is filed and the amount of loss is determined as provided in this Certificate.

N. Declarations: This Certificate may not be orally changed or modified in any manner, nor shall any representations, promises or warranties be deemed made unless endorsed hereon in writing and signed by an authorized agent or representative of the Company.

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